

Innovative Financing for Workforce Development and Re-entry in Memphis, TN

Proposal for Partnership: Workforce Investment Network (WN) and Social Finance, Inc.

Project Context

The Workforce Investment Network (WIN) in Memphis, TN is a recognized community resource dedicated to improving employment opportunities for job seekers and creating a qualified workforce for employers in Memphis, Shelby County, and Fayette County.¹ WIN works in partnership with other agencies and operates its one-stop center that integrates the resources and activities of several federal programs, including Employment Services, Veteran Services, Adult Basic Education, Vocational Rehabilitation, and the Department of Human Services. By fusing these programs into one focused workforce development service location, WIN is able to refer individuals to appropriate support services, to prepare and find jobs for job seekers, and to source qualified talent for local employers, thereby creating success for the entire community.

As a Local Workforce Investment Board (LWIB), WIN receives funds and provides employment services through the Workforce Innovation and Opportunity Act (WIOA). Signed into law by President Obama in 2014 and enacted by the Department of Labor in July 2015, WIOA focuses on enhancing strategic alignment of workforce development programs, promoting accountability through investments in evidence-based programming, and expanding services to vulnerable populations, including disconnected workers, out-of-school youth and disabled workers.

In pursuit of each of the above objectives, WIOA authorizes LWIBs to use up to 10% of Title I formula funding for Pay for Performance (PfP) contracts. This opportunity allows WIBs to test innovative approaches and promote the growth of evidence-based services through performance-based funding mechanisms. While performance-based contracting is not new, Pay for Performance requires a different and often unfamiliar approach for many jurisdictions; contracts are rigorously measured against pre-defined metrics of success, which ensures government only makes payments should meaningful outcomes be achieved.

In an effort to encourage successful re-entry for incarcerated or recently incarcerated populations, WIN is planning to issue a Request for Proposals (RFP) for employment-based reentry services, with additional mental health support services. Contracts with selected service providers would be primarily fee-for-service with a portion of the contract contingent on achieving positive outcomes—such as

¹ “Introduction,” *Workforce Investment Network*, www.workforceinvestmentnetwork.com/about-us/introduction

placements in competitive employment. In order to ensure this RFP and subsequent service delivery are effective and efficient, WIN is seeking support from Social Finance, Inc. (SF) to guide RFP development and service provider selection, as well as ongoing project performance management.

Social Finance has deep experience as a Pay for Success Intermediary—with a number of initiatives focused within the post-secondary, workforce, and criminal justice systems. SF has executed two Pay for Success contracts to support workforce development in New York and Massachusetts. The New York project operates at the intersection of the criminal justice and workforce development spaces—providing skills training and transitional employment to reduce recidivism and improve workforce outcomes for recently released individuals. The Massachusetts project provides adult education and employment services to English language learners; programmatic success is measured based on employment earnings and educational attainment outcomes. In the criminal justice space, SF has several contracts in development beyond the executed work in New York to tackle recidivism and achieve better reentry outcomes for both adults and youth.

In addition to these Pay for Success projects, SF has provided advisory services to a Local Workforce Investment Board, and is currently working with several large national foundations to implement post-secondary education and workforce development initiatives in select geographies.

Partnership Objectives

Outcomes-based financing is an innovative approach to scale effective solutions to social problems, such as recidivism and unemployment. In order to ensure the effective use of this tool, WIN is seeking to partner with SF for advisory support throughout the RFP release, provider selection, and service delivery processes.

Guidance on RFP development and provider selection will enable WIN to structure a high-quality performance-based contract to leverage existing WIOA funds and better serve individuals re-entering the workforce in Memphis. Ongoing active project management provided by SF would use real-time data from government and providers to ensure the best outcomes for participants through ongoing course correction and optimization of the program.

Ultimately, this project should lay a foundation for future Pay for Success / Social Impact Bonds and similar innovative funding mechanisms in Memphis and Shelby County. By developing and executing a thoughtful, robust performance-based contract, and achieving positive outcomes, this project will show philanthropy, government, and nonprofit leaders that such innovations can help to achieve the best outcomes for Memphis' most vulnerable citizens.

Proposed Project Support

PRELIMINARY

Social Finance's proposed support for WIN's procurement and selection process includes several components:

RFP Review: During this phase, SF would review and provide comments on the RFP to help WIN craft an effective solicitation of services. SF would leverage its extensive experience working with government and nonprofits, specifically around performance-based procurement to proactively anticipate questions or concerns respondents might have. SF's proprietary tool for assessing nonprofit capacity and readiness could be built into the RFP to generate high-quality responses from potential service providers.

Selection and Contracting: Once the RFP is released, SF would provide feedback on service provider responses to help WIN select the most qualified applicant. SF has experience assessing and building service provider capacity for performance-based financing projects, and understands the key indicators of success in this area. SF would use its propriety tool for assessing nonprofit readiness to evaluate respondents on the strength of their intervention, organizational capacities, and projected ability to deliver outcomes through a performance-based contract. SF will use its experience navigating common contract challenges—outcome and metric selection, explicit measurement procedures, and termination rights and remedies, among others—to help guide WIN on the most effective ways to manage these issues. After service provider selection, SF would continue to provide support in the contracting phase—helping to design and execute an agreement that will produce strong outcomes for the target population.

Data and Evaluation: Crucial to contract development and project execution is the availability and accuracy of data. SF would advise WIN and the selected service provider on establishing all necessary data sharing agreements and data flows to enable effective project management through the duration of the initiative. In tandem, SF would provide advice and support to WIN as the organization determines appropriate evaluation and validation protocols to determine the measurement of outcomes. SF has worked with numerous independent evaluators on a spectrum of evaluation methodologies, providing insight into appropriate levels of rigor and evaluation criteria based on the needs of the government partner.

Active Performance Management: Finally, once a contract has been executed, SF would remain engaged to support WIN through active performance management of the project. SF currently conducts active performance management on three Pay for Success projects in three different states. Ongoing project adjustments, guided by data and engaged partnership with all project stakeholders, is a critical component of strong performance-based financing projects. SF's performance management services include progress monitoring and analytical support, course corrections, and facilitation of discussions among stakeholders when issues arise. SF would play the role of a neutral analyst and facilitator to identify issues and work toward solutions in order to ensure project success.

Appendix A: Social Finance background

Social Finance, Inc. is a 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress.

Our vision is that everyone deserves the opportunity to thrive, and that social impact financing can play a catalytic role in creating these opportunities. At the core of our work is Pay for Success (“PFS,” also known as the Social Impact Bond), a multi-stakeholder partnership that enhances government efficiency, funds effective social programs at scale, and achieves positive returns for investors. Social Finance has the expertise to work collaboratively with public, private, and provider partners to develop, structure, and raise investment capital for high-quality PFS projects.

Social Finance offers the full range of services required to design and execute PFS transactions and tailor them as necessary to match the particular needs of the communities and stakeholders Social Finance serves.



Social Finance’s services include:

- **Advisory Services:** Advisory projects prepare governments, service providers, and other organizations for participation in PFS projects and examine applications’ suitability for this approach. Social Finance provides field-informed guidance to stakeholders with an interest in PFS participation; conducts feasibility assessments to identify social programs suitable for PFS; and designs, launches, and manages pilots to test promising applications.

- **Social Investment:** Social Finance collaborates with partners to articulate and identify interventions and service providers, analyze and select outcome metrics that reflect public policy and beneficiary goals, analyze public sector and societal benefits, design an appropriate evaluation plan, structure the project's cash flows, develop and negotiate contracts, and arrange investment capital. Currently, Social Finance is one of the only firms within the PFS market that actively manages the capital raising process.
- **Active Performance Management:** For the duration of an investment, Social Finance ensures that all stakeholders are incentivized to achieve common goals and have the information needed to maximize the project's success. Social Finance supports the implementation of PFS projects by analyzing real-time data and providing technical support to our on-the-ground partners. The team also supply investors with regular communication and may assume fiscal responsibility of fund flows and help ensure legal compliance.
- **Field Building:** Social Finance provides market education, research, advocacy, and analysis to support the development of a sustainable PFS, and broader impact investment, market.

As one of the first organizations in the United States dedicated to the PFS market, Social Finance has the expertise, on-the-ground experience, and partnerships necessary to lead high-quality PFS projects.

Social Finance's Board of Directors, comprising leaders across the public and private sectors, provides strategic guidance on the firm's efforts. Additional information on the members of the Board of Directors can be found at <http://www.socialfinance.org/about/board>.